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November 23, 2009

Dr. Lawrence H. Goulder, Chair
AB 32 Economic and Allocation Advisory Committee
CALIFORNIA AIR RESOURCES BOARD
P. O. Box 2815
Sacramento CA 95812-2815

Dear Dr. Goulder:

Modesto Irrigation District, Northern California Power Agency¹, Pacific Gas & Electric Company, Sacramento Municipal Utility District, Southern California Edison Company, and Southern California Public Power Authority,² ("the Joint Utilities") welcome the opportunity to provide the Economic and Allocation Advisory Committee ("EAAC") with the joint perspective of the majority of California's electric utilities on the important issue of allocation of greenhouse gas emission allowances. Specifically, the Joint Utilities address the importance of allocation of allowances to electric utility distribution companies.³

The Joint Utilities recommend that a portion of the allowances be allocated directly to Local Distribution Companies ("LDCs") on behalf of their customers to help off-set the costs of AB 32 implementation that will be incurred in the electricity sector. Allocation of allowances to the LDCs is the most direct approach to achieve the goals of AB 32 while containing costs to our customers. In addition, we believe that LDC allocation is most consistent with the criteria of fairness, cost-effectiveness, environmental effectiveness, and simplicity.

¹ Northern California Power Agency members include the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, as well as the Bay Area Rapid Transit District, Port of Oakland, the Truckee Donner Public Utility District, and the Turlock Irrigation District, and associate members are the Plumas-Sierra Rural Electric Cooperative and the Placer County Water Agency.

² The members of Southern California Public Power Authority are Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles Department of Water and Power, Imperial Irrigation District, Pasadena, Riverside, and Vernon.

³ The Joint Utilities represented herein look forward to reviewing the proposed recommendations of the Committee and providing, individually or collectively, more detailed comments regarding this and other issues addressed in the Committee's anticipated recommendation.

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Page Two

The LDCs are utilities overseen by the California Public Utilities Commission or locally elected or appointed utility boards. These entities can be relied upon to use allowance value to achieve the AB 32 emission reduction objectives while minimizing the economic burden imposed on their customers. By way of the existing regulatory process, the LDCs can most effectively employ the value of allocated allowances to make investments in direct mitigation reductions (e.g. energy efficiency programs and renewable resources) and to effectively manage customer costs.

Thank you for the opportunity to present these comments. The Joint Utilities look forward to continuing to work with the EAAC, the California Air Resources Board and concerned stakeholders to achieve AB 32's greenhouse gas emission reduction goals.

Very truly yours,

THE JOINT UTILITIES

cc: **EAAC Members:**

Justin L. Adams, Ph.D. - *Forward Observer*
Prof. Victoria A. Arroyo - Georgetown State and Federal Resource Center
Matthew R. Barger, Sr. Advisor - Hellman & Friedman, LLC
James K. Boyce, Ph.D. - University of Massachusetts – Amherst
Dallas Burtraw, Ph.D. - Resources for the Future
James Bushnell, Ph.D. - University of California Energy Institute
Mr. Robert J. Fischer – Gap, Inc.
Richard M. Frank, Esq. – Center for Law, Energy & The Environment, UC Berkeley School of Law
Daniel M. Kammen, Ph.D. – University of California, Berkeley
Christopher R. Knittel, Ph.D. – University of California, Davis
Stephen Levy, Ph. D. - Center for the Continuing Study of the California Economy
Joseph Nation, Ph.D. – Stanford University
Nancy E. Ryan, Ph.D. - California Public Utilities Commission
Nancy D. Sidhu, Ph.D. - Los Angeles County Economic Development Corporation
James L. Sweeney, Ph.D.– Stanford University

Ms. Karen Douglas, Chair – California Energy Commission
Ms. Mary I. Nichols, Chair – California Air Resources Board
Mr. Michael R. Peevey, President – California Public Utilities Commission
Mr. James Goldstene, Executive Officer – California Air Resources Board
Kevin M. Kennedy, Ph. D., Chief – Program Evaluation Branch – California Air Resources Board